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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
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FM AMCONSUL ISTANBUL
TO SECSTATE WASHDC 9672
INFO AMEMBASSY ANKARA
AMCONSUL ADANA
AMCONSUL IZMIR

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E.O. 11652: N/A
TAGS: EINV, TU
SUBJECT: FOREIGN INVESTMENT IN TURKEY

1. GUNGOR URAS, SECRETARY GENERAL OF THE TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION (UTSIAD) IN A RECENT TALK TO THE ISTANBUL PROPELLER CLUB, GAVE SOME INTERESTING STATISTICS ON FOREIGN INVESTMEN
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IN TURKEY WHICH HE SAID WERE BASED ON FILES OF THE TURK COMMERCE MINISTRY. PERMITS ISSUED FOR FOREIGN INVESTMENTS UNDER DECREE 6224 (WHICH DOES NOT INCLUDE INVESTMENTS IN THE PETROLEUM SECTOR) BETWEEN 1950 AND 1975 WERE US$286 MILLION OF WHICH ONLY $138 MILLION WERE ACTUALLY MADE, DIVIDED ABOUT EQUALLY BETWEEN CASH AND MACHINERY. HE SAID THERE WERE 99 DECREE 6224 FIRMS IN TURKEY (OUR RECORDS SHOW THERE WERE 115 SUCH FIRMS A FEW YEARS AGO).

2. IN 1975, FIRMS WITH FOREIGN INTEREST (EXCLUDING PETROLEUM) HAD SALES OF TL22.3 BILLION WHICH CONSTITUTED 10.2 PERCENT OF ALL MANUFACTURING INDUSTRY SALES AND EMPLOYED 44,782 PEOPLE (208 FOREIGN) WHICH WAS IMPORTED DIRECTLY APPROXIMATELY TL 8 BILLION OR 52.5 PERCENT
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OF THEIR TOTAL INPUTS AND EXPORTED TL 688 MILLION. BALANCE OF PAYMENTS EFFECTS WAS DEFICIT OF TL 6.8 BILLION.

3. URAS USED THESE STATISTICS TO ARGUE THAT FOREIGN INVESTORS WERE ALMOST EXCLUSIVELY INTERESTED IN PRODUCTION FOR THE DOMESTIC MARKET AND THAT FUTURE INVESTMENTS SHOULD BE DIRECTED TO THE EXPORT MARKET. HE DID AGREE WITH A QUESTIONER THAT THE OVERVALUED

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TURKISH LIRA WAS A LARGE INCENTIVE FOR DOMESTIC SALES AND A DISINCENTIVE TO EXPORTS.

4. WHILE WE HAVE NOT ATTEMPTED TO INDEPENDENTLY VERIFY URAS' STATISTICS THEY DO ILLUSTRATE THE MEAGER IMPORTANCE OF FOREIGN INVESTMENT IN TURKEY. HIS FIGURE OF MANUFACTURING INVESTMENT FROM ABROAD OF U.S. $138 MILLION OVER 25 YEARS IS A MISERABLE AMOUNT FOR AN ECONOMY AS LARGE AS THAT OF TURKEY AND IS EXCEEDED BY THE LOANS OF MANY INDIVIDUAL FOREIGN BANKS. THERE ALSO APPEARS TO BE A TREND TOWARD DISINVESTMENT AS FOREIGN FIRMS SELL THEIR EQUITY TO LOCAL COMPANIES, WE HAVE NOTED SEVEN SUCH CASES IN THE PAST TWO YEARS, AND ARE AWARE OF OTHER FIRMS WHICH PLAN TO REDUCE THEIR STAKE IN TURKEY.

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